Raytheon
Program Management Plan
For
Logistics Integration Support (LIS) of Secondary Reparables (SECREPs)

29 August 2003

Submitted to:
Marine Corps Logistics Command
Contracts Department
Code 891
P.O. Box 43019
Building 3700, Third Floor
Albany, GA 31704-3019
File: CO-U USMC SECREP ALBANY - DELIVERABLES - PMP v1.0.doc

Prime Contractor:
Raytheon
7700 Arlington Blvd.
Falls Church, VA 22042-2900

Technical Point of Contact:
Chris Dodson
Phone: 858-268-0348, ext. 3002
Mobile: 619-977-5900
E-mail: cdodson@raylog.com

Table of Contents

LIST OF ACRONYMS

ANSI	American National Standards Institute
B2B	Business-to-Business
BOA	Basic Ordering Agreement
BPA	Blanket Purchase Agreement
BSM	Business System Modernization
CDS	Contractor Delivery Support
CLS	Contractor Logistics Support
CONUS	Continental United States
COTS	Commercial-Off-the-Shelf
CWT	Customer Wait Time
CP	NADEP Cherry Point, NC
DAAS	Defense Automatic Addressing System
DAASC	Defense Automatic Addressing System Center
DDN	Defense Data Network
DFAS	Defense Finance and Accounting System
DIFM	Due In for Maintenance
DLA	Defense Logistics Agency
DoD	Department of Defense
DOS	Days of Supply
DVD	Direct Vendor Delivery
DVS	Direct Vendor Support
E-Cat	Electronic Catalog
EC/EDI	Electronic Commerce/Electronic Data Interchange
EDI	Electronic Data Interchange
ESTS	En-route Support Transportation System
FAR	Federal Acquisition Regulation
FFF	Firm Fixed Fee
FFP	Firm Fixed Price
FLS	FORCE Logistics System
FMF	Fleet Marine Force
FOD	Foreign Object Damage
FSSG	Force Service Support Group
GCO	Government Contracting Officer
GFE	Government Furnished Equipment
IPV	Industrial Prime Vendor
IT	Information Technology
JIT	Just-in-Time
KLS	Kwajalein Logistics Support
LIS	Logistics Integration Support
LTL	Less-Than-Truckload
MEF	Marine Expeditionary Force
LSI	Logistics Support Integrator
MCPO	Marine Corps Program Office
MHE	Materiel Handling Equipment
MSC	Maritime Support Concept

MTBF	Mean Time Between Failure
MTC	Material Transportation Consortium
NAID	National Association of Installation Developers
NSN	National Stock Number
OCONUS	Outside the Continental United States
OEM	Original Equipment Manufacturer
OST	Order Ship Time
QDR	Quality Deficiency Report
QM	Quality Manager
R6σ	Raytheon Six Sigma
RIP	Repairable Issue Point
ROC	Regional Operations Center
ROD	Report of Discrepancy
RPO	Raytheon Program Office
ROR	Remanufacture/Overhaul/Repair
RSM	Raytheon Site Manager
RSR	Raytheon Site Representative
SAMMS	Standard Automated Materiel Management System
SATCOM	Satellite Communications
SCAR	Supplier Corrective Action Request
SECREP	Secondary Reparable
SOO	Statement of Objectives
USMC	United States Marine Corps
WInS	Web Invoicing System
WWW	World Wide Web
XML	Extensible Markup Language

1.0   EXECUTIVE SUMMARY

Raytheon has been selected as the United States Marine Corps' Logistics Support Integrator (LSI) for selected Secondary Reparables (SECREPs). Raytheon's broad work scope is to provide for the remanufacture/overhaul/repair (ROR) of selected SECREPs in support of the Fleet Marine Force. In this role, Raytheon will source the SECREPs to various vendors for ROR (as appropriate for the particular type of SECREP) and manage all associated logistics support functions. The logistics support functions include; subcontracting of qualified vendors, sourcing of the SECREPs for ROR, coordinating and financing transportation requirements, warranty administration and management, data collection and analysis to facilitate essential maintenance management functions such as SECREP failure analysis and calculation of SECREP Mean Time Between Failure (MTBF). In accordance with the authorized Task Orders and Statement of Work (SOW), Raytheon will provide the above mentioned logistics support services on a global basis, to include unforeseen surge requirements and contingency operations support. Raytheon will provide a firm fixed price (FFP) for ROR/exchange of each SECREP included in the task order. When available, the Raytheon will provide the specific details of the work to be performed (including component parts to be replaced) during the ROR process as part of the proposal for pricing and terms on a SECREP. Raytheon has made advancements in Information Technologies (IT) that interface with Marine Corps Logistics Support Systems and provide additional capabilities, not currently available. One of which was further development of Raytheon's Force Logistic System (FLS)^{tm} , a robust suite of interactive IT programs specifically tailored for the logistics management/support functions and tracking requirements of the SECREP Logistics Integration Support (LIS) Program. FLS, along with Raytheon's enterprise-wide management approach will identify and document otherwise undetectable trends affecting weapon systems' operations and maintenance (O&M) costs and readiness. Although the software data rights of FLS shall remain the exclusive property of Raytheon, read-only access to the majority of FLS modules will be available to the government at all RIP sites, along with the MCPO's capability to download non-proprietary data will be granted at no additional cost to the government.   The Marine Corps' data/information access requirements include, at a minimum, warranty information, in-transit visibility of all shipments, trend analysis, and Mean Time Between Failure (MTBF) data. Raytheon's extensive efforts involved in the identification of potential subcontractors, meticulous screening, and selection of only the "industry's best" promises the best value to the Marine Corps and thorough mitigation of risks for both parties in this novel strategic partnership. Raytheon's role as the LSI provides the Marine Corps with a single point of contact for all matters regarding to ROR outsourcing of the affected SECREPs. Raytheon's vast experience, as a logistics support integrator, and corporate expertise provide the Marine Corps with the invaluable leveraging capabilities and numerous other attributes of an industry leader recognized worldwide.

Remanufacturing is the process of returning a used, worn out, or otherwise unserviceable item/assembly to a condition that is as close to new as possible. The item/assembly is completely disassembled, cleaned, inspected, re-machined, reassembled, aligned/calibrated, and tested to ensure functional operation and conformance to quality standards. All core items are reworked to meet all of the original equipment manufacturer's specifications thereby ensuring that the remanufactured item/assembly meets original equipment specifications. Wearable component

parts such as bearings, rings, pistons, and gaskets are automatically replaced. Remanufactured items/assemblies are returned to a like new condition in regard to performance and reliability.

Overhaul is the complete disassembly, cleaning, evaluating, and reassembly of an item/assembly (to include all of its components and sub-components) for the purpose of replacing any parts that are out of tolerance for serviceability. Component parts that are within acceptable tolerance are reused. Although overhauled items/assemblies meet OEM performance standards, the reliability (life expectancy) is less than a remanufactured or new item/assembly.

Repair involves rework/replacement of failed component part(s) to restore an item/assembly to a serviceable condition that performs within the OEM's specification tolerances. Disassembly and reassembly of the item/assembly is limited to the extent necessary for rework/replacement of failed component part(s). Reliability and remaining service life of the item/assembly are determined by the aggregate condition of the item's associated component parts.

The following paragraphs provide functional details of these concepts and tasks, along with the roles and responsibilities of both the Marine Corps and Raytheon.

2.0 ORGANIZATIONAL STRUCTURE

The program and organizational structure that will be used to manage SECREP items is depicted below in Figure 2. This structure provides for the visibility into, and control over, planning and execution for ROR of SECREPs.

PMO Office:

The Raytheon Program Management Office (PMO), located in Falls Church, VA provides program management support, program status reporting, financial reporting, and contract support. FLS will also be maintained and managed by the PMO.

Regional Operations Center:

The Regional Operations Center (ROC) provides day-to-day management of SECREP LIS program operations and functions of the field sites to included vendor management, deployment support, transportation management, and purchasing.

RIP Sites:

Raytheon personnel will be co-located at the specified Reparable Issue Point (RIP) sites and will provide a focal point for customer support. All facets of materiel movement will be initiated and processed at these locations to include, but not limited to, configuration management, materiel turn-in, SECREP inspection, shipping and receiving, data entry into FLS, materiel issue, and warranty claims registration/submittal.

Quality Management:

Provides quality assurance support for SECREPs. The Quality Management staff is co-located at the Regional Operations Center.

Figure 2. Program Organization Chart. *Raytheon's SECREP Program is organized for maximum responsiveness to customer needs.*
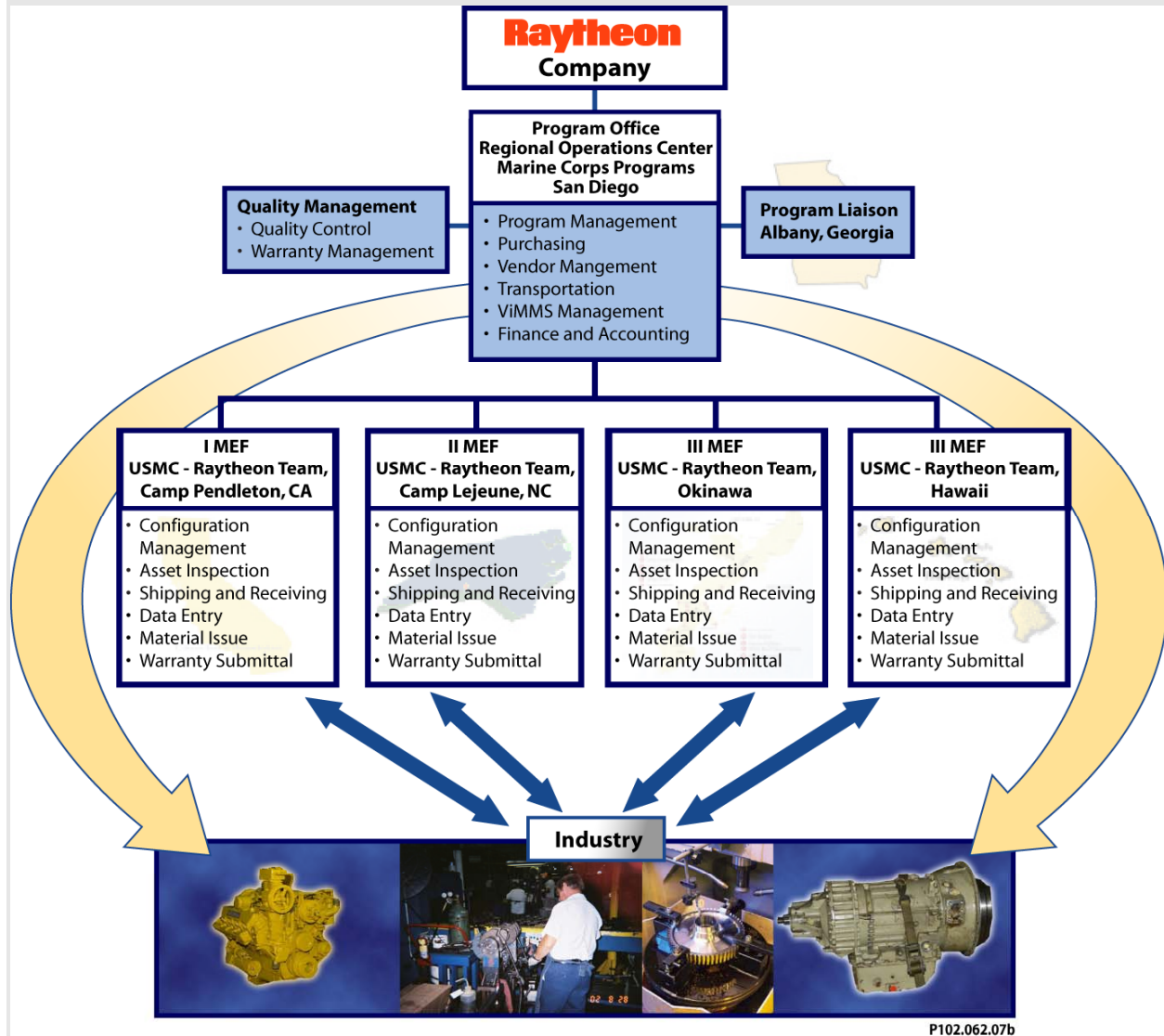
PROGRAM OBJECTIVES

The SECREP LIS contract is designed to provide a responsive, reliable, cost effective supply chain solution to the Marine Corps' requirements for component Remanufacture/overhaul/repair of selected SECREPs.

2.1 Short Term Objectives:

Warranty Management:
The short-term objectives for warranty management include automated identification of warranted SECREPs that fail within their warranty periods, automated tracking and management

of warranty claim submittals utilizing the FLS database, timely resolution of warranty claims, and monthly oversight and reporting of warranty activity.

Improved Operational Availability and Reduced Life-Cycle Costs:
Weapon Systems utilizing remanufactured, vice repaired/rebuilt, SECREPs historically exhibit increased operational availability (commonly referred to as "readiness rate") due to improved mean-time-between-failures (MTBF) and reduced time for corrective maintenance actions. Also, fewer failures directly equate to reduced O&M costs and especially life-cycle costs of a weapon system. All SECREPs on-contract with Raytheon will have an end of year accounting report. Marine Corps' Program Managers will be able to use this information to assist in determining annual SECREP maintenance costs associated with their weapon systems. Raytheon believes this particular aspect of the LIS program that will receive great interest in the coming years.

Transportation:
There will be total asset visibility on all shipments of material. Utilizing FLS, real time tracking can be accomplished on all shipments with verification of delivery and reliable estimated delivery dates (EDD).

Order Ship Time/Customer wait Time:
Raytheon has established a responsive and progressive vendor base. OSTs are negotiated on all NSNs included in this program. A robust transportation system providing direct delivery to the RIP sites will significantly reduce OST.

Vendor Management:
As the Logistic Support Integrator for the SECREP LIS program, Raytheon will manage all of its subcontracted vendors, thus alleviating any need for the Marine Corps to interact in any way with Raytheon's vendors. Raytheon will be the "one-stop-shop" for all activities associated with the ROR of the SECREPs included in the LIS program. This concept substantially reduces the associated logistic management burden, for the Marine Corps, when dealing with a multitude of vendors.

Surge Management:
In order to adequately reduce SECREP LIS program risks and ensure the constant availability of surge capabilities, Raytheon will subcontract multiple vendors for like items and shift workloads as required to meet unforeseen garrison surge demands. Additionally, Raytheon will plan for more critical surge requirements resulting from contingency operations by contracting only vendors having Raytheon approved, documented plans to increase their production capacity. A plan as simple as adding a second shift or as complex as having Raytheon's Supply Chain facilitate bulk purchases of repair parts for a particular vendor will be established.

Serial Number Tracking:
FLS has been designed to provide complete visibility and tracking of SECREPs by their serial numbers. All activities associated with the SECREPs will be kept in historical data files, by serial number, which can easily be accessed for audit trail, trend analysis, and warranty consideration.

Configuration Management:
To baseline the configuration of each SECREP IAW the specification of the NSN, for Marine Corps applications, to ensure uniformity of each applicable SECREP, and provide a process for identification and recommendation for configuration change proposals.

Modification Tracking and Implementation:
All SECREPs turned-in for ROR will have all Marine Corps approved modifications applied. In the event that required modifications have not been applied, Raytheon will notify the MCPO of the implementation costs and lead time required to implement the configuration changes. The MCPO may either authorize Raytheon to incorporate the applicable modifications (via the GCO, who will issue a formal task order modification), or provide authorization to deviation from the established configuration requirements. Modifications applied to SECREPs will be recorded and stored by item NSN and serial number in FLS.

2.2 Long Term Objectives:

Mean Time Between Failure (MTBF) Calculations:
When a SECREP is issued to the Marine Corps; the NSN of the SECREP and its serial number will be loaded into the FLS database. When the SECREP item is subsequently returned for ROR, FLS will match the issue date and the turn-in date, and calculate the time between issue and failure for that particular service application. Each SECREP NSN will have an accurately calculated MTBF relative to the time between issue and failure. Utilizing FLS, SECREP MTBF will be constantly updated and readily available. This data can be utilized for predictive forecasting, inventory requirements calculation, failure analysis and Weapon System life cycle support costs.

Predictive Forecasting:
After collection of sufficient failure data, FLS will calculate MTBF on all SECREPS. A minimum of 2 years of data collection is required to test the program and 3 years to implement. Based upon the calculated enterprise-wide failure rates for each of the LIS SECREPs, trends will become obvious. This data could then be used to schedule the replacement of the SECREP, or any of its critical component items, prior to critical mission failure of the host weapon system(s).

Raytheon Six Sigma (R6σ) Process Improvements:
R6σ was launched in January 1999 as a business methodology to focus Raytheon's people, processes, and tools on providing value to the customer through agility, and lean methods to improve product quality and eliminate waste in development and production processes. The cornerstone of R6σ is to involve the customer in every aspect of the business process.

3.0 IMPLEMENTATION PLAN

Implementation of the LIS Program will be jointly coordinated by the MCPO and Raytheon's Program Office. Raytheon recommends a sequentially prioritized phase-in of each site. This approach provides sufficient time to establish the essential elements required to phase-in a program of this magnitude along with its essential elements such as; personnel, IT/ADPE support, supply chains, and relevant subcontract agreements with suppliers and transportation vendors.

Specifically, Raytheon recommends the following blueprint for this approach: 1) MCLB Albany, 2) Camp Pendleton, 3) Camp Lejeune.

3.1 RIP Phase-In

MCLB Albany:
The first RIP to be implemented will be the temporary RIP established at MCLB Albany to support the SECREPs returning from Operation Iraqi Freedom (OIF). Raytheon will staff this RIP with experienced program personnel to assist and manage the flow of SECREPs from Albany to the commercial ROR vendors and back to the Marine Corps. Because the vast majority of SECREPs being returned have been disassembled, are not configurationally complete, and/or have extensive damage, OST is anticipated to be longer than normal. This should be readily understood as an exceptional situation. Overall ROR costs are anticipated to be affected as well.

Camp Pendleton, CA, I MEF:
This will be the initial MEF RIP to be phased in. Being the largest of the three MEFs, its SECREP demand rates are the highest. The substantial demand for RORd SECREPs will have the most impact enterprise-wide.

Camp Lejeune, NC, II MEF:
Raytheon plans to have this RIP site stood-up within sixty days of Camp Pendleton's RIP site being established. However, depending upon the needs of the Marine Corps, this site can be stood-up earlier.

3.2 NSN Phase-In

Pricing and other terms for the ROR of SECREPs, identified by NSN, will be added to the task order by formal contract modification in groups. Groups will consist of over 100 NSNs and will be provided to the MCPO (via the two organizations' contracting offices) once the requisite Raytheon internal review processes have been completed. The first submission will be no later than 30 August 2003. The second group will be provided approximately 45 days later and the remaining NSNs coming 45 days thereafter. Once a phased-in NSN has been added to the contract it will be available to all of the phased-in sites.

4.0 REQUISITION MANAGEMENT

4.1   Introduction

Requisition management will be accomplished using various MILSTRIP transactions between the Marine Corps and Raytheon. Requisition management shall include; order receipt, issue of RORd SECREPS, order status reporting and updates as required, tracking of shipments, and recovery of unserviceable SECREPs for ROR.

4.2   Background

The Marine Corps maintains a number of inter-related legacy systems that currently support requisition management. At the maintainer level, Marine Corps Integrated Maintenance Management System (MIMMS) or Asset Tracking Logistics and Supply System (ATLASS) II Plus (A2P) tracks everything undergoing maintenance. MIMMS/ATLASS, in turn, interface with Support Activities Supply System (SASSY) for repair part requisitioning and receipt. The supply system in use at a unit, be it SASSY, interacts with suppliers and the Marine Corps Standard Accounting, Reporting and Budget System (SABRS). The Defense Financial and Accounting Service (DFAS) uses the data in SABRS for the accounts payable process (validating and paying supplier invoices). The supply systems interface with non-Marine Corps suppliers via the Defense Automated Address System Center (DAASC). This interface uses Military Standard Requisitioning and Issue Procedures (MILSTRIP)[1], Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)[2], and equivalent Electronic Data Interchange (EDI) formats.
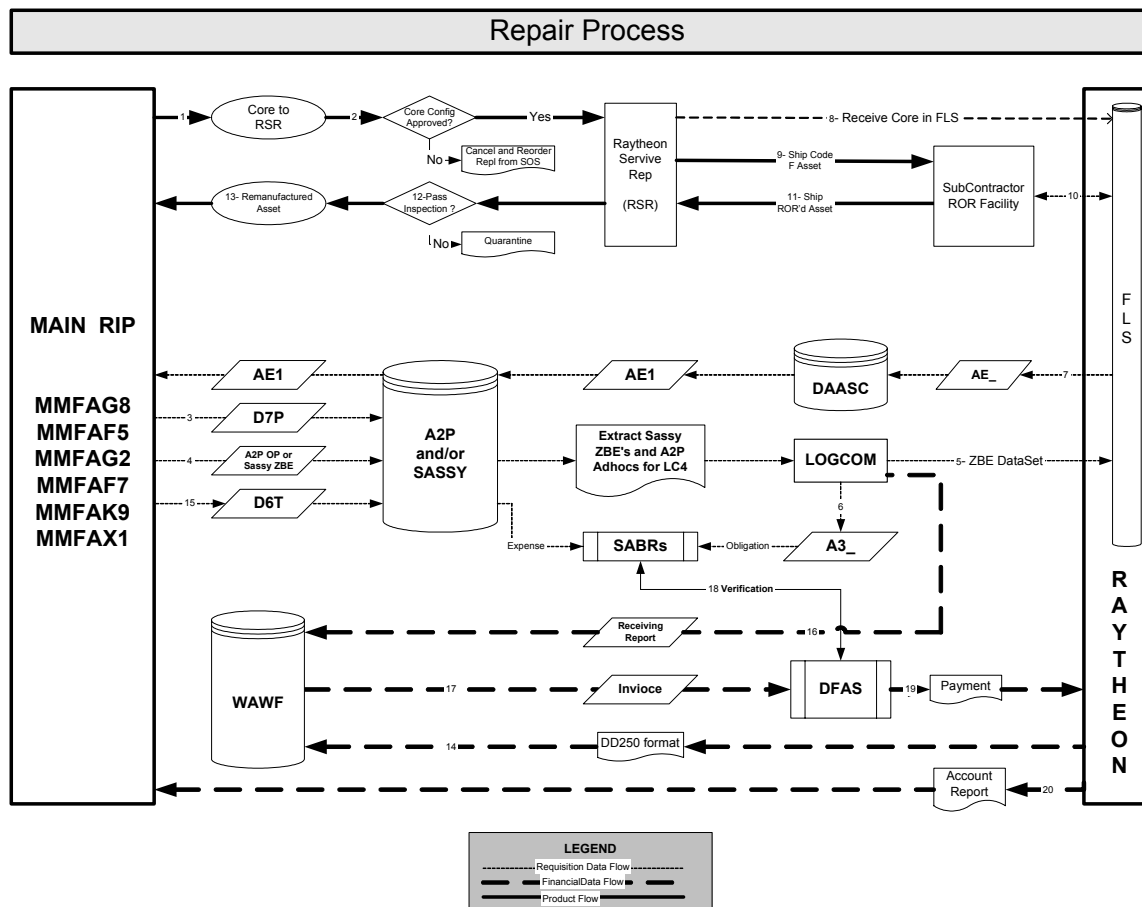
4.3   ROR Process

The alternative to the traditional re-procurement process described in this section is equally well suited to the ROR of a SECREP. For that reason, no distinction need be made between the different actions which might be required to bring an unserviceable SECREP item back to a "serviceable and issuable without qualification" condition.[3] The impacts of a warranty claim and a SECREP believed to be Beyond Economical Repair (BER) are addressed in a subsequent section. The requisitioning RIP may approve pre-negotiated Over and Above (OaA) costs, per paragraph 4.5.

---

[1] The MILSTRIP Manual is DOD 4000.25-1-M.
[2] The MILSTRAP Manual is DOD 4000.25-2-M.
[3] In MILSTRIP, a Supply Condition Code of A indicates the condition "serviceable and issuable without qualification".

Repair Process

Core to RSR — 1
Core Config Approved? — 2 — Yes
No — Cancel and Reorder Repl from SOS
Raytheon Servive Rep (RSR)
8- Receive Core in FLS
9- Ship Code F Asset
SubContractor ROR Facility — 10
11- Ship ROR'd Asset
12-Pass Inspection ? — No — Quarantine
13- Remanufactured Asset

F L S

MAIN RIP

AE1
D7P — 3
A2P OP or Sassy ZBE — 4
D6T — 15

A2P and/or SASSY

AE1
DAASC
AE_ — 7

Extract Sassy ZBE's and A2P Adhocs for LC4

LOGCOM
5- ZBE DataSet
6

Expense — SABRs — Obligation — A3_

18 Verification

Receiving Report — 16

WAWF

Invioce — 17

DFAS — 19 — Payment

DD250 format — 14

Account Report — 20

**MMFAG8
MMFAF5
MMFAG2
MMFAF7
MMFAK9
MMFAX1**

R A Y T H E O N

LEGEND
Requisition Data Flow
FinancialData Flow
Product Flow

Precursor. A Marine Corps maintainer performs a corrective action, which results in a SECREP being exchanged at the repairable issue point (RIP). The RIP now has an unserviceable SECREP ready to induct into the process.

Step 1. RIP personnel will present the unserviceable SECREP to the Raytheon Site Representative (RSR) with a completed NAVMC 1018[4] card attached.

Step 2. The RSR will accept the configuration of the unserviceable core or reject it for any cause that would inhibit remanufacture, overhaul or repair (ROR)[5]. If the RSR deems the SECREP unacceptable, the RIP must decide whether to apply additional funds[6] to accomplish the ROR or to requisition item from the SOS.

Step 3. If the RSR accepts the unserviceable SECREP, the RIP will issue it to Raytheon using the D7P transaction to RIC "LC4".

---

[4] The NAVMC 1018 tag has an NSN, defect code(s), serial number, et al.
[5] Part of the reason for this inspection is to reduce the number of unserviceable SECREPs discovered to be BER later in the process during the tear-down and ROR evaluation.
[6] See paragraph 4.5 for information on the over and above process.

Step 4. The RIP creates a requisition and a due-in using a SASSY ZBE transaction or an A2P open purchase, again using RIC "LC4" and L00216 in the SuppAdd position.

Step 5. Marine Corps Logistics Command (LOGCOM) compiles all SASSY ZBE's and A2P open purchases for Raytheon (LC4) and FTP's[7] the transaction in a uniform 80-Card Column ZBE dataset that generates a requirement to the Raytheon Force Logistics System (FLS).

Step 6. For each ZBE dataset compiled in step 5, LOGCOM creates a corresponding A3_[8] transaction and appends it to the SASSY output to SABRS. This transaction creates an obligation in SABRS for the amount listed on the contract delivery order.

Step 7. For each ZBE dataset received by Raytheon, FLS will respond with an AE1/BB transaction reflecting the EDD computed from the OST established in the contract delivery order.[9]

Step 8. Upon receipt of the ZBE requirement in FLS, The RSR will process the physical receipt of the corresponding unserviceable SECREP mentioned in Step 3. FLS will check to see if unserviceable SECREP has been serviced under this program before and will initiate a warranty action if appropriate.

Step 9. The RSR initiates shipment of the unserviceable SECREP to the ROR vendor.[10] The RIP will supply material handling equipment (MHE) if required to load equipment from dock to truck.

Step 10. Status of the SECREP while at the ROR vendor is tracked by FLS. Follow-on AE's from FLS are required if the estimated delivery date (EDD) changes for any reason.

Step 11. An ROR'd SECREP is sent from the ROR vendor to the submitting RSR. Again, the RIP will supply MHE as required to load equipment from truck to dock.

Step 12. RSR retains possession of the ROR'd SECREP until he inspects it for completeness, damage in shipment or obvious quality deficiencies. If a discrepancy is noted the SECREP is placed in quarantine until it is resolved. When the SECREP is ready for issue to the RIP, the RSR insures that an AE1/BA transaction is input by FLS to the RIP concerned.

Step 13. The RSR then issues the ROR'd SECREP to the RIP.

Step 14. The RSR documents the issue by inducting a digital DD-250 format into Wide Area Workflow (WAWF).

---

[7] The ZBE transactions need to be separately transferred by LOGCOM to Raytheon, in part because DAASC is specifically designed to NOT process or rourte any transactions that start with a "Y" or "Z" (i.e. DIC = Y__ or Z__). These transactions were originally created for use only within their host system (e.g. SASSY).

[8] The A3_ transaction used with SABRS does not conform to the specification for an A3_ in MILSTRIP.

[9] The OST is specified for each NSN in Attachment 2 of the subject Task Order.

[10] If a warranty claim has been initiated then the SECREP will be sent to the Warrantor. If not, then the item will be sent to the repair facility indicated on the Raytheon Purchase Order that has been created in a parallel process.

Step 15. The RIP inducts a D6T transaction to expense the document in SABRS and acknowledge the receipt of the acceptable ROR'd SECREP.

Step 16. Based on Step 15, LOGCOM inducts a receiving report into WAWF to electronically notify DFAS that the acceptable ROR'd SECREP. (In effect, signing the DD-250).

Step 17. When WAWF sees the contract, the DD-250 and the receiving report it will allow invoicing to pass to the rollup document number registered at DFAS for that particular RIP[11].

Step 18. DFAS will note that sufficient funds are available in the SABRS account for that particular RIP.

Step 19. DFAS will pay Raytheon in accordance with the terms of the contract.

Step 20. Raytheon will produce a monthly accounting report for each RIP and transmit them via email to the organizational mailboxes identified in the statement of work (SOW). The RIPs are required to reconcile this report and submit discrepancies as noted.

4.4   BER Cores

A "core" is defined as the fundamental components of a SECREP and may include "sub-core" items. Using an engine as an example; its "cores" consist of an engine block assembly, cylinder head(s), crankshaft, and its connecting rods. Its sub-core items are the fuel injection/metering pump, starter, and fuel filtering system (if a part of the configuration). The inspection performed by the RSR in Step 2 is intended, in part, to identify any missing items and minimize unanticipated charges. Unfortunately, it is not possible to positively determine a SECREP's suitability for ROR until a complete teardown and evaluation. Numerous conditions cannot be visually detected, thus various types of non-destructive testing (such as magna-fluxing) must be conducted to ascertain a core item's true condition and ensure the SECREP's overall reliability. If a core item is found to be unsuitable, three possible scenarios exist.

Replacement Core Included in the FFP:
For some SECREPs, the ROR cost includes an anticipated BER rate.[12] This typically happens when there is a supply of core items readily available (at a relatively minimal cost) to the ROR facility. In this case an unsuitable core is a non-issue. The RIP merely receives the SECREP with a different core than the one they submitted without any financial impact.

Replacement Core Furnished:
If the contracted price does not include replacement of unsuitable cores, the Marine Corps may be offered the option to provide a replacement core item (as GFM) from their supplies. Once again, there would be no impact on the Marine Corps, other than a corresponding ROR production delay (as long as the core item required is shipped at Government expense or Raytheon has space available on an existing shipment to the ROR facility).

---

[11] Invoicing at the summary level saves on the per transaction charge levied by DFAS on the USMC and generally simplifies the financial accounting process for all involved.
[12] A BER rate is also referred to as a washout rate.

Replacement Core Purchased:

In many cases, Raytheon's vendor base has core items available at significantly reduced costs in comparison to acquisition of new items. These unplanned costs (categorized as over-and–above (OaA) costs) would be submitted to the Government's Contracting Officer (GCO) for approval before the ROR work may proceed. In all anticipated cases where the core or sub-core items may not be suitable for ROR, a FFP (for each of the component core/sub-core items) will be submitted as part of Raytheon's proposal on a candidate a SECREP NSN.

4.5   Over And Above Process

Normally, billing for the ROR services will be as indicated by the standard ROR cost on the task order. There will be instances, however, when the cost to ROR will exceed this amount. These costs are referred to as Over and Above (O&A) costs. There will be two types of O&A costs, pre-negotiated and non pre-negotiated.

Pre-negotiated O&A costs will be part of the CLIN structure of the task order. It will apply agreed upon cost increases for anticipated broken/missing components not covered in standard ROR costs. To invoke a pre-negotiated cost increase, Raytheon must notify the concerned RIP and receive authorization to proceed with the repair/replacement of these components. Absent authorization by the RIP for the application of the pre-negotiated cost increase, all action on the ROR of that SECREP will cease.

Non pre-negotiated O&A requests seek to apply additional costs for unanticipated increases in the ROR cost for a SECREP. These costs are not covered in the contract and require the authorization of both the RIP and the GCO. Action on the ROR of that SECREP will cease pending receipt of both authorizations.

Efforts to make the process for O&A cost authorization more automated is ongoing. At present all requests for pre-negotiated O&A cost authorization will be sent to the organizational mailbox of the concerned RIP and a CC to the COR at LOGCOM. All requests for non pre-negotiated O&A cost authorization will be emailed to both the concerned RIP and the GCO and CC the COR at LOGCOM.
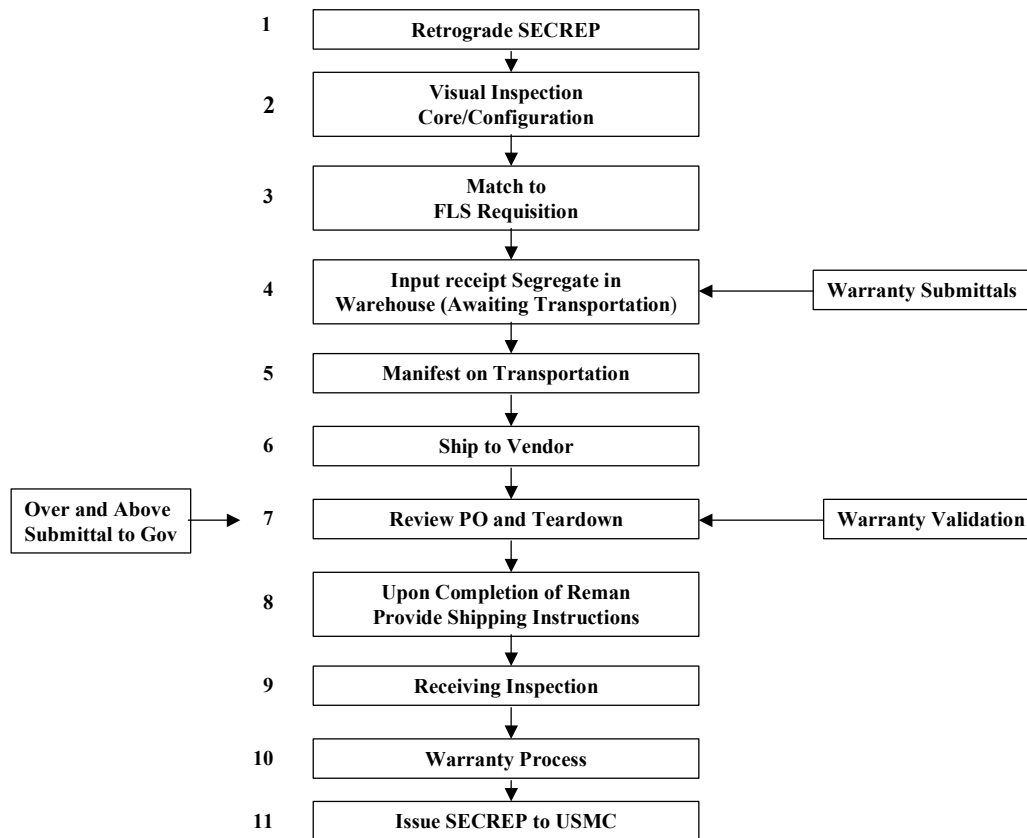
5.0 MATERIEL MOVEMENT

1	Retrograde SECREP
2	Visual Inspection Core/Configuration
3	Match to FLS Requisition
4	Input receipt Segregate in Warehouse (Awaiting Transportation) ← Warranty Submittals
5	Manifest on Transportation
6	Ship to Vendor
7	Over and Above Submittal to Gov → Review PO and Teardown ← Warranty Validation
8	Upon Completion of Reman Provide Shipping Instructions
9	Receiving Inspection
10	Warranty Process
11	Issue SECREP to USMC

Figure 5. Materiel Flow Process. *Raytheon's materiel flow process illustrates all facets of SECREP Movement.*

Retrograde of Unserviceable SECREP:
The unserviceable SECREP is routed from the maintenance unit to the RIP and then to the RSR co-located at the RIP.

Visual Inspection:
Upon physical receipt of the SECREP, the asset is inspected to verify NSN, Serial Number, Configuration and an inspection to verify the asset is complete and has no missing or obvious damaged core items (that would render them as unsuitable in the ROR process) associated with it.

Match to FLS:
The asset is then matched with a requisition in FLS. This is the correlation of the requisition from the Marine Corps system in FLS with the physical receipt of the SECREP.

Input Receipt and Segregate in the Warehouse:
After the match of the physical asset to the requisition, a receipt is posted in FLS. Condition of the SECREP is noted in FLS, Raytheon's Purchasing Office is electronically notified of the requisition and the retrograde SECREP requiring servicing. A purchase order to the sub-contracted vendor is established for the ROR of the SECREP. The unserviceable item is placed in a "ready-to-ship" location in the RIP warehouse.

1. **Manifest on Transportation:** The Raytheon Program Operations Manager will coordinate with purchasing and site personnel for the transportation of the SECREP from the RIP and to the vendor for servicing. Time-phased bulk shipments to vendors will be used whenever possible to reduce shipping costs. Once a "block" of unserviceable SECREPs is assembled, the transportation carrier will be notified, the items will be loaded onto the truck and the items will be shipped to the various ROR vendor(s). The Marine Corps will be responsible for MHE and personnel to load and unload the SECREPs.

2. **Ship to Vendor:** Once the assets have been inducted into the MTC for transportation, FLS will be updated and kept current at all times. Transportation and receipt status will be accessible utilizing FLS by both Raytheon and Marine Corps personnel. The SECREP Program Expeditor will monitor the shipment to the final destination(s) and ensure vendor receipts have been posted.

3. **Review PO and Teardown:** Raytheon's Purchasing Agent (Buyer) will prepare a purchase order and authorize its vendor to proceed with a teardown and evaluation of the SECREP. Provided the SECREP is complete and otherwise configurationally correct, the purchase order will authorize the vendor to continue ROR of the SECREP.

4. **Upon Completion of the ROR, Provide Shipping Instructions:** Upon completion of the ROR, the vendor will electronically notify Raytheon's buyer and expeditor. A final review of the purchase order will be processed to ensure completion and shipping instructions have been made. Usually, the SECREPs will be routed back to the RIP. During contingencies, the SECREP may be diverted and shipped to an alternate location at the direction of the MCPO. Deviation in shipment location must be approved by the GCO. If there are any adjustments to the contracted price, they must be agreed upon by both Raytheon and the GCO.

5. **Receiving Inspection:** Upon receipt of the SECREP at the RIP, the RSR will perform a receipt inspection. Verification of NSN, serial number and condition will be noted. If a discrepancy is discovered, the materiel will be segregated in the warehouse, and Raytheon's Program Management will be notified prior to processing the receipt. If there are no discrepancies, the SECREP will be processed in FLS and a yellow warranty tag will be affixed to the SECREP. The asset will then be routed to the Marine Corps' RIP personnel.

6. **Warranty Process:** Upon receipt, a tag is affixed to the SECREP. When the RIP issues the SECREP for installation, the RIP personnel will detach the yellow warranty tag and

record the issue information on the tag. The tag will then be forwarded to the RSR. The RSR will then input the issue information (and operational warranty registration, if applicable) into FLS. This will activate the operational warranty period on certain SECREP's. This is also the starting point for calculation of the SECREP's MTBF.

7. **Issue of the SECREP**: After the previous steps have been completed, the RIP will issue the SECREP to the Marine Corps maintenance unit.

6.0 ADDITION AND DELETION OF SECREP NSNS

Addition and deletion of NSNs on the SECREP task order will be managed utilizing the precepts of the SOW, along with the following process:

1. All SECREP NSNs researched with the Marine Corps to ensure that the part numbers associated with the NSN are correct.
2. SECREP configuration will be reviewed with the MCPO to ensure that proper configuration applicable to the weapon system application(s) is (/are) maintained
3. The core components that make up a SECREP will be detailed, such as cylinder heads, a crankshaft, and an engine block, etc.
4. An ROR price, TAT, warranty terms, etc will be proposed.
5. Transportation costs will be proposed.

Once the 5-step process has been completed, the NSN and supporting information will be forwarded through Raytheon's Contracting Officer to the GCO. The NSNs will be submitted for review/consideration for incorporation into the SECREP LIS task order. In accordance with the SOW, NSN reviews may be conducted on an "as required" basis at the request of either party. At a minimum, reviews shall be conducted semi-annually. All SECREPs affected by this effort, currently and in the future, will be identified in an attachment to the SOW, or amendments thereto as authorized by the GCO. If an item has been superseded or is obsolete, and is no longer required by the Marine Corps, the SECREP NSN will be removed from the contract task order.

7.0 QUALITY ASSURANCE PROGRAM

Raytheon's Quality Assurance Program is based upon our state-of-the-art business and performance management strategies and principles, R6σ, and our ISO 9001:2001 quality doctrine. R6σ is our knowledge-based process for continually improving our processes and procedures to maximize customer satisfaction. The R6σ business strategy and performance management principles are proven best industry practices that:

- Provide value to the customer
- Identify value and eliminate waste and variation
- Develop a strong customer focus
- Involve, align, and empower our employees in all aspects of performance
- Mobilize both data and workforce knowledge to improve decision-making and continuously enhance the efficiency and effectiveness of our performance planning and execution under the SECREP contract
- Ensure timely warranty submittal and processing.

Our R6σ business strategies and ISO 9001:2001 Quality Management System effectively apply the doctrine of:

- Quality assurance to establish the extent to which the quality of our performance will be measured, analyzed, and controlled
- Quality control to ensure that the appropriate management responsibilities and resources are provided to perform the SECREP contract requirements, which meet or exceed the established performance standards and continuously maintain customer satisfaction
- Continuous process improvement to improve the effectiveness and quality of our performance and reduce program costs.

The Raytheon Quality Manager (QM) and Maintenance will ensure that quality, control, and integrity are woven into every aspect of the program. They will work with the Marine Corps to ascertain the configuration of each SECREP on the task order and work with the vendors to ensure that the configuration matches that of the Marine Corps' applications and meets or exceeds all OEM specifications in regard to performance and reliability.

Raytheon will establish a computerized, quality system that will be utilized when any one of the following occurs:

- Customer complaint regarding quality
- Low service time failure (premature failures)
- Receiving inspection failure
- When otherwise deemed appropriate by program/quality management
- Buyer/accounting deficiencies.

This system will produce a Supplier Corrective Action Request (SCAR) that will be forwarded to Raytheon's vendor(s) for resolution. We will allow 15 days for a satisfactory response from the vendor, and we will not permit payment to a vendor until the SCAR is satisfactorily answered. Vendor responses will be analyzed for quality and, if acceptable, entered into the computer database. The data collected will be used to update benchmarks, perform statistical trend analysis to determine if a performance deficiency exists, and analyze any performance deficiencies to determine root causes such as:

1. Vendor performance

2. Isolated incidents where no trends exist
3. Design problems requiring an engineering change
4. Resolution of training deficiencies.

If a performance deficiency is identified as a result of vendor performance, we will resolve the discrepancy with the vendor. If we are unable to resolve the issue, future RORs of the SECREPs will be sent to another subcontractor. If a performance deficiency is believed to be caused by the operator/maintainer, we will notify the MCPO. If the problem is caused by design, we will investigate whether the OEM has developed (or is developing) any design changes. All change proposals will be coordinated with the MCPO.

The main goal of our quality approach will be to ensure that all services provided meet the Marine Corps' requirements and any potential problems are mitigated as soon as they are identified.

8.0 CONFIGURATION MANAGEMENT

The Marine Corps is responsible for providing Raytheon with configuration information for each SECREP included in the LIS task order and will notify Raytheon of any changes. Raytheon will ensure that all Raytheon Site Representatives (RSRs) are aware of the current configuration requirements for each SECREP, as well as any future changes incidental to Marine Corps approved Engineering Change Proposals (ECPs) and modifications. Additionally, all RIP sites will maintain current configuration inspection/acceptance sheets (to be developed and distributed by the ROC) for each of the LIS program SECREPs. All SECREPs that are turned in for ROR will be visually inspected by the RSR to determine completeness, correct configuration, and ROR suitability. If the SECREP is missing parts, Marine Corps personnel at the RIP site will be advised and a resolution coordinated. In the event that teardown and ROR evaluation of a SECREP reveals missing embedded component items, Raytheon will notify the Marine Corps Program Office (MCPO) to obtain approval and equitable reimbursement for the missing items. FLS historical files will detail what NSNs and serial numbers are in certain configurations.

A joint research effort between Raytheon and the Marine Corps will be conducted during contract implementation, to establish a base line and ensure SECREP configuration integrity is maintained. Configuration Check List Sheets will be created for each NSN, as well as a series of digital pictures. This data will be kept current in a web-based program for access by all personnel involved in the LIS program.

Upon turn-in of an unserviceable SECREP to Raytheon, a receipt inspection will be conducted by the RSR prior to shipment to the ROR vendor. Any deviations from the established configuration (to include missing components) will be annotated on the Configuration Check List Sheet, and the SECREP will be quarantined in the RIP warehouse pending resolution.

Product Improvement:

The Raytheon's Program Office and Quality Manager will work closely with the Marine Corps and the vendor network for product improvement. Remanufacturing services companies often recommend modifications or improvements to be incorporated into the remanufacturing of assemblies. Often the improvements reduce life-cycle-costs and enhance performance simultaneously.

When a vendor suggests an improvement, Raytheon will review the suggested improvement and forward the suggestion to the MCPO for review. If approved, the QM will work with the vendors to ensure correct processing and integration. The Raytheon SECREP team has experience in both the military and commercial sectors of maintenance and is well versed in submitting modifications and improvements that lead to cost reductions, performance enhancements, and life-cycle extension to components. For example, Raytheon is working with Honeywell in the development of a new Scavenger Blower Fan for the AGT-1500 M1 tank engine and a protective coating for the tank engine's fan blades that will protect against sand erosion. These product improvements will extend the service life of the engine and prevent avoidable vehicle downtime associated with the premature removal and repair of the engine assembly.
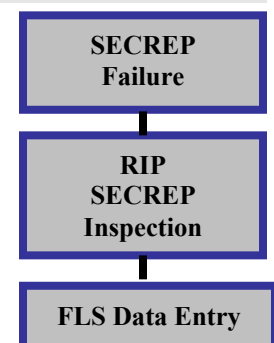
9.0 WARRANTY MANAGEMENT

9.1   Warranty

Raytheon will manage and administer all vendor warranties on SECREPs included in the SECREP LIS contract task order, on behalf of the Government. The Marine Corps will receive a SECREP via the RSR from ROR, and the item will typically be placed into stock, or sent out as part of a logistics support package, where it may reside in stock for an undetermined time. Raytheon will work with our team of vendors and, whenever possible, establish warranty criteria that starts from the time of installation and also provides coverage during storage periods. This will have to be uniquely negotiated with each ROR vendor, and individually for each SECREP, because storage times vary greatly between various commodities. Raytheon will endeavor to mitigate the risk of a missed warranty, and avoid unnecessary costs to the Marine Corps. Raytheon will affix a yellow warranty tag on all SECREPs that have been returned from ROR. The tag will have all applicable ROR information on it, to include; Raytheon's Purchase Order number, NSN, serial number, receipt date, and blank spaces for manual entries such as issue dates, unit addresses, and vehicle numbers. This data will be available to the MCPO, RIPs, and maintainers via a website (to be established) and also reside in FLS. Raytheon developed a comprehensive warranty management system as an integral component in FLS. When items are received from a vendor after remanufacturing, Raytheon performs a receiving inspection and inputs the appropriate SECREP and vendor registration data into FLS. FLS maintains all pre-negotiated vendor subcontract data, warranty times, and criteria. If the Marine Corps turns in a SECREP that is still within the established warranty time, FLS alerts the RSR to submit a warranty claim. The RSM and QM are notified as well. FLS does not allow an asset meeting these criteria to be processed without a warranty submittal. This prevents warranty situations from being missed and results in cost savings instead of ROR charges for a SECREP still under warranty. All warranty OSTs will be the same as the contractually established ROR OSTs.

Raytheon's warranty management process goes beyond the tracking of warranty times and submissions and takes a proactive approach of asset control/configuration, customer satisfaction, and supplier management. Program, procurement, and quality management ensure that our customers are given the best product available by monitoring all suppliers. Attributes such as actual costs, warranty requested/accepted, and turn time are compared to the benchmarks that have been established and requested, and are utilized to monitor and grade our vendors. Raytheon has established a 10-step process for the submission, tracking, and management of warranties (see Figure 6):

1. **SECREP Low Time Failure**: This is defined as a SECREP installed on a vehicle that has failed prematurely, causing an untimely removal and/or replacement by the Marine Corps.
2. **Asset Inspection:** The asset has been turned into the RIP, and a replacement has been ordered. The retrograde is inspected and is determined to be a candidate for a warranty claim.
3. **Data Entry:** When an asset is turned in to Raytheon for ROR, the warranty request is annotated on the turn-in documents and likewise input into FLS.
4. **Warranty Claim Generated:** FLS generates a warranty request and ensures adequate measures are taken to submit the appropriate

SECREP
Failure

RIP
SECREP
Inspection

FLS Data Entry

claim.

5. **Quality Manager Reviews Request:** The Quality Manager (QM) is notified that a warranty situation has occurred and ensures proper documentation and submission of the warranty claim. Pertinent data is also collected into a vendor management database for analysis and identification of a vendor deficiency.

6. **Warranty Claim Initiated:** A formal warranty claim is submitted to the vendor for review, verification, and resolution.

7. **Asset Shipment:** The asset is shipped to the vendor for analysis and servicing.

8. **Vendor Report and Quality Review:** A complete report is returned from the vendor to the Raytheon QM for review and analysis. The vendor is directed to correct the SECREP deficiencies, and the warranty is processed and honored.

9. **Return of Serviceable Asset:** The asset is returned to the RIP in a ready-for-issue condition at no additional cost.

10. **Data Analysis and Reporting:** All applicable data is input into FLS as an historical audit trail and for future analysis.
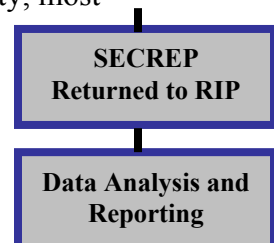
Warranty Registration:

SECREPs in the LIS Program may be covered by two types of warranties, a storage warranty and an operational (in-service) warranty. Both types of warranties may apply to some SECREPs. If a SECREP is covered by a storage warranty, the RSR will register the SECREP, by NSN and serial number, in FLS. A storage warranty will commence upon receipt of the SECREP by the RSR (acting as the Government's agent). An operational warranty will be for a specified period (depending upon the particular SECREP), commencing upon the actual issue date from the RIP. Registration for operational warranties will be initiated by RIP personnel completing the yellow warranty registration card (affixed to the SECREP's packaging) and forwarding the yellow warranty registration card to the RSR for registration input to FLS. Deployed units will be required to complete the warranty registration card and returning it to the RSR either by mail or upon completion of the deployment. Additionally, in order to ensure timely registration of SECREPs issued during a deployment and avoid "missed" operational warranties due to lost warranty registration cards, RIP personnel will be required to notify the RSR when a SECREP is issued. SECREPs that are included in a deployment spares package to accompany the deployed forces will not be considered "issued" until such time that the SECREP is removed from the deployment spares package for installation in/on a weapon system as part of corrective maintenance. Warranty periods, to include the type(s) of warranty (ies) applicable to a particular SECREP, will be addressed as part of Raytheon's ROR proposal for each candidate SECREP.

9.2   Warranty Exceptions:

Although each NSN will have a warranty tailored for the particular commodity, most of the SECREPs will have the same denial criteria. For instance, if an engine has been RORd and fails pre-maturely, the warranty will not be

Flowchart (right column, top to bottom):
- FLS Generates Warranty Request
- Quality Manager Reviews Request
- Warranty Claim Initiated
- SECREP Shipped to Vendor for Inspection
- Quality Manager Reviews Vendor Report, Manages Warranty Repair
- SECREP Returned to RIP
- Data Analysis and Reporting

honored if the engine has been tampered with internally, or if the mechanical integrity of the SECREP has been changed, altered or modified in any way by the customer. The following is a partial list of typical justifications for warranty denial:

1. Unauthorized Maintenance

2. Negligence on the part of the operator/maintainer. This includes failure to follow established operating/maintenance procedures and precautions.

3. Secondary Damage: Damage resulting from a failure of another component

4. Damage attributed to acts of God or the public enemy, acts of the Government in its sovereign (e.g., war damage) capacity.

Figure 6. Warranty Flow. *Raytheon's comprehensive 10-step process ensures prompt and accurate management of all warranty candidates.*

10.0   SERIAL NUMBER TRACKING AND CONTROL

Raytheon will utilize FLS for serial number tracking and control. This will enable us to conduct failure analysis on an individual serial number to ascertain actual mean-time-between-failure (MTBF) and will allow us to identify failure trends and warranty candidates. The Marine Corps will have complete visibility of SECREP serial numbers for warranty registration and claims purposes. Serial numbers are tracked through all phases of program materiel movement, including issue, receipt, ROR, and disposal. Raytheon offers a complete "cradle-to-grave" audit trail compliant with the established precepts of the Federal Acquisition Regulation (FAR), Part 45. Additionally, FLS will provide transportation visibility on all NSNs and serial numbers through all facets of the program flow.

10.1   SURGE REQUIREMENTS

Raytheon has mitigated the risk by multiple sourcing of vendors for each item on contract task order. The ability to "turn on" more vendors equates to increased capacity and production. By providing multiple repair locations, Raytheon can distribute workload and prevent any backups in production.

Upon identification of surge requirements, Raytheon and the MCPO will jointly determine which SECREPS will require increased production rates. Raytheon will in turn notify their affected vendors to increase production rates and reduce turn time to meet the surge requirements. Raytheon already works closely with our vendor base and can coordinate for additional shifts at most vendors. Some vendors have a capability of running 24 hour / 3 shift operations.

The primary methodology of managing Surge Requirements is as follows:

- ❑ Ascertain workload increase (by percentage)
- ❑ Forecast increase utilizing historical consumption
- ❑ Coordinate vendor base additional workload
- ❑ Coordinate additional work shifts
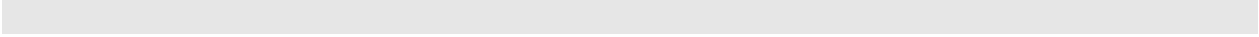- ❑ Report progress to Government Program Office

Priority requirements for transportation and ROR expediting will be addressed to and approved/directed by the Contracting Officer prior to execution of any expediting efforts. Unlike pre-approved OaA costs for SECREP core items, the additional costs for vendor expediting, priority shipping, and any applicable management fees cannot be pre-determined.

10.2   SUPPORT of CONTINGENCIES

One of our future capabilities for the SECREP program is en-route support during deployments or contingency operations; Raytheon will ship items worldwide to any location by leveraging our MTC. We will package multiple SECREPs into a shipping container that will match the deployed unit's requirements and transport the container to a port or field unit location. Retrograde of carcasses will be handled in the reverse order. As discussed previously, by having Raytheon representatives co-located at each of the MEF RIPs, Raytheon will be able to work hand-in-hand with Marine Corps supply personnel to ensure that close coordination for materiel support is achieved not only in a garrison environment but also in a deployed location. Raytheon personnel shall be prepared to support forward deployed RIP's at the direction of the GCO. As with any hostile location, Raytheon Program Management will coordinate directly with the MCPO to determine if any special provisions are required to deploy contractors into forward

areas. Upon request, Raytheon will coordinate with the GCO in making the appropriated modifications to the contract vehicle.

11.0 DISTRIBUTION AND COLLECTION

Raytheon will utilize FLS and its established MTC, as the primary data collection and distribution management tool for this program. These systems provide real-time tracking and visibility of SECREPs through all facets of materiel movement. By utilizing FLS as the primary materiel management tool for this program, program management personnel in both the Marine Corps and Raytheon will have complete visibility of all transactions that affect the movement of materiel (see Figure 4).

Figure 4. Total Asset Visibility. *FLS provides total asset visibility through all facets of material movement.*
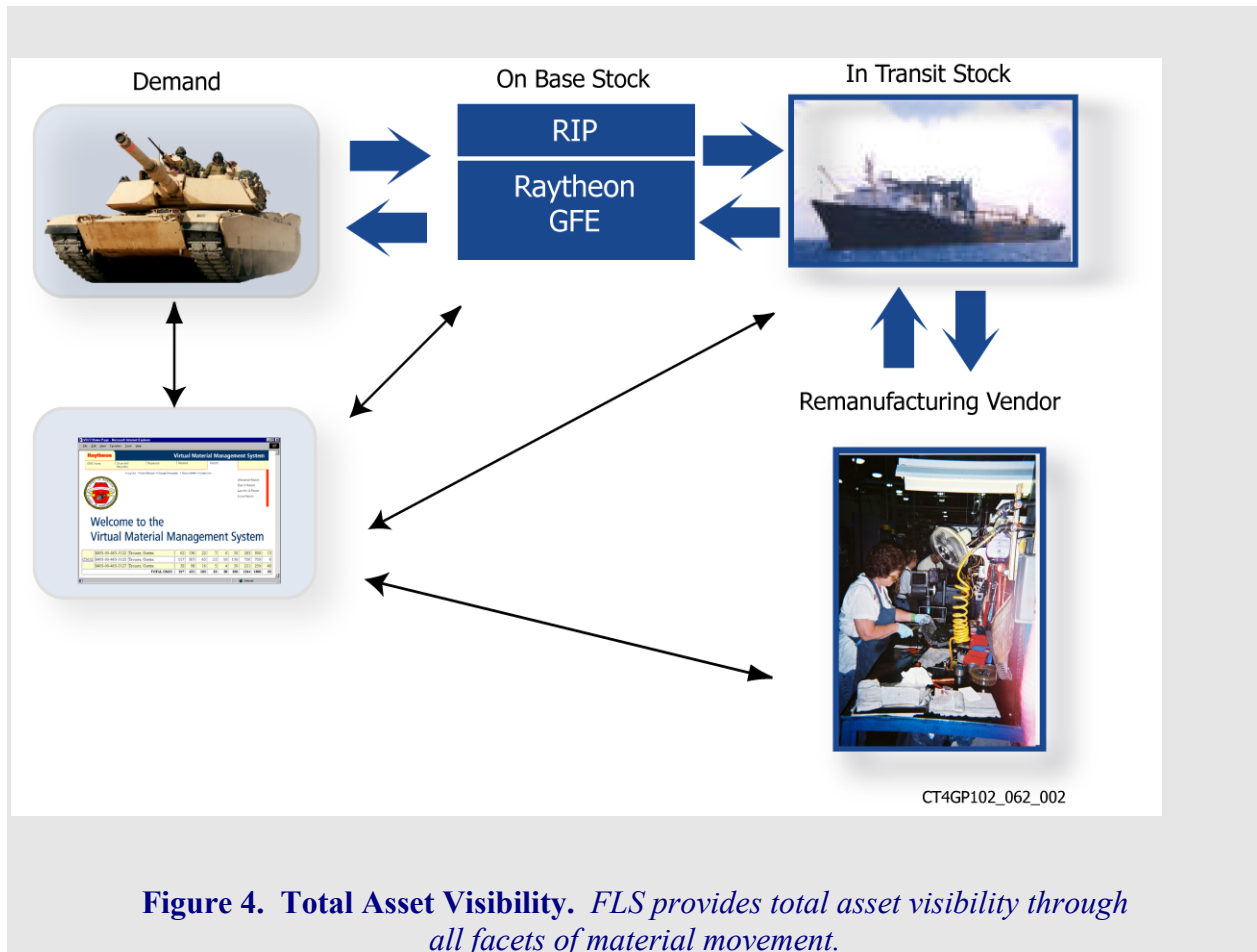
The RIPs at each MEF will be the primary distribution and collection points for this program. The RIP will also be the point of issue to the Marine Corps for all materiel RORd by Raytheon's vendor network. Likewise, the RIP will be the location where all unserviceable SECREPs are returned for ROR. Using an established materiel issue point for distribution and collection, the Marine Corps will have a minimal transition period during the implementation of this program. This will also ensure minimal training requirements for Marine Corps personnel at the RIP sites. Raytheon's use of the MTC for the movement of assets to any worldwide location allows us to match the appropriate transportation mode and carrier with the particular RIP requirement for timely and cost-effective approach to materiel movement. The CONUS sites will be supported primarily by land shipments in appropriate quantities related to demand rates. This will avoid excessive transportation charges and keep the RIP stocked at an adequate level to support normal Marine Corps operations.

11.1 TRANSPORTATION of SECREPs

In order to ensure reduced lead times on materiel shipments and maintain an on-time global delivery system, a progressive transportation system is mandatory. Raytheon has developed and utilizes the MTC, comprised of the En-route Support Transportation System (ESTS), which is utilized for our Aviation Logistics Support contracts, and the Maritime Support Concept (MSC), which is utilized for large pre-planned shipments in containers. In essence, the MTC is a consortium of global transportation vendors, freight forwarders, and material handling experts ensuring on-time transportation capability to any area of the world, under any condition. The MTC has enabled Raytheon to support program operations globally and maintain excellent ratings in deliveries. This impacts issues as well as receipts of unserviceable assets turned in for remanufacturing. Our plan for leveraging the MTC is illustrated in Figure 7.
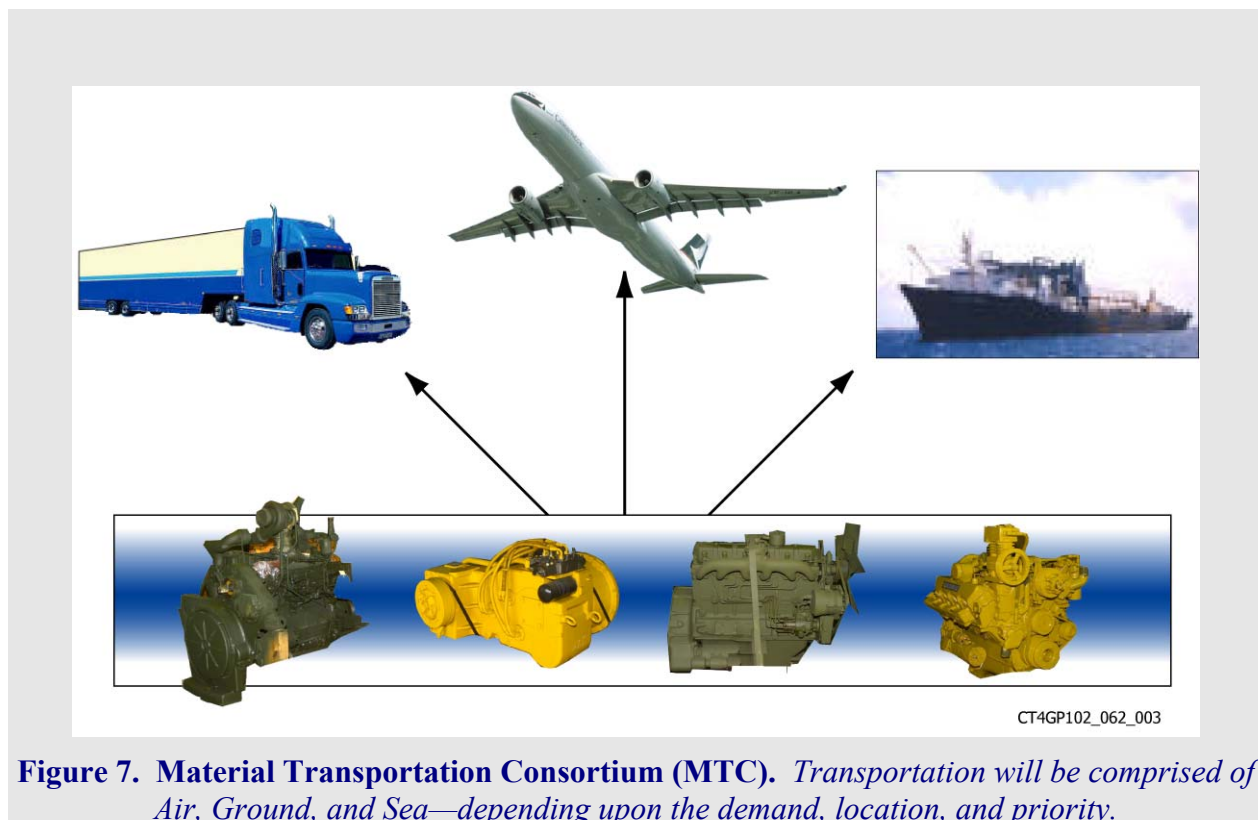

CT4GP102_062_003

Figure 7. Material Transportation Consortium (MTC). *Transportation will be comprised of Air, Ground, and Sea—depending upon the demand, location, and priority.*

With the utilization of the MTC, Raytheon is poised to respond to any shipping challenge including the capability of chartering a Boeing 747 cargo aircraft for contingency support. FLS interfaces with vendor websites, including the U.S. Postal Service, FedEx, Airborne, and UPS, to provide detailed, real-time status at the click of a mouse. Raytheon annually leverages over $100 million in freight expense by consolidating our transportation suppliers. Raytheon negotiates, on a company-wide basis, key transportation services such as truckload, less-than-truckload (LTL), domestic small parcel, airfreight, international air, and international ocean freight services. Raytheon's drivers also make local deliveries. Since Raytheon's transportation policies and procedures promote using these preferred key suppliers across all Company divisions, corporate discount rates range from 10 to 76 percent and if it is realized for a particular shipment it is passed on to the customer in lower transportation cost. This insures a responsive, cost effective transportation system.

MARKING and PACKAGING for SHIPPING, HANDLING and STORAGE:

The marking and packaging of materiel will be accomplished by using best business practices and in accordance with the SOW. Each SECREP will be packaged to ensure protection from the elements and foreign object damage (FOD). Large SECREPs will be palletized for easy movement and storage. Depending upon shipping location, special pallets will be utilized to meet national and international special handling requirements. For instance, the European Communities Commission has stated that wooden pallets will not be allowed access into Europe due to parasite infestation. Raytheon will utilize metal or plastic pallets to comply with this regulation, if no metal shipping container is available. Sea vans will be utilized for bulk overseas shipments whenever possible. Standard military shipping containers will be utilized for individual shipments.

When SECREPs are sent to the vendor to be RORd, the containers will also be inspected and, optionally, repaired and painted as necessary. For example, at Camp Pendleton, Raytheon recently shipped a M1A1 Abrams tank engine to repair. Upon receipt of the engine, the container was inspected and considerable corrosion and damage was discovered on the Marine Corps' container. Because the container's condition could have put the serviceability of the remanufactured engine in jeopardy, Raytheon (with Marine Corps authorization) had the container stripped, repaired, and painted (in essence delivering a remanufactured container to the Marine Corps). This was done at a cost that was a fraction of the replacement cost. Container refurbishment will be billed separately and only after written approval from the GCO.

12.0   PERFORMANCE METRICS:

As detailed in the SOW, Raytheon understands that they will be evaluated on the following three performance criteria:

1. Delivery performance
2. Order accuracy
3. Product quality and performance

Delivery Performance:

Delivery Performance will be measured and tracked in Marine Corps systems and reconciled with FLS. The start time will be when the ZBE transaction is inducted. The stop time will be from the time a D6T receipt is processed. There will be a monthly reconciliation between Raytheon and Marine Corps personnel for items that do not appear to meet the contractually established turn times. The minimum acceptable standard for Delivery Performance is 95%. Exceptions to this performance indicator are as follows:

Start Time Exceptions:

1. If a physical retrograde SECREP is not turned in simultaneously with induction of the ZBE.
2. Delays in ZBE posting and FTP file transfers.
3. If an incomplete/improperly configured SECREP is turned in.
4. If a SECREP is turned in and priority processing/delivery is requested, but the Contracting Officer has not granted approval for any additional costs.

Receipt time exceptions:

1. Marine Corps personnel are not available to receive the SECREP.
2. D6T processing delays caused by data input errors and/or RIP personnel failing to complete the receipt transaction in a timely manner.
3. Any production/shipping delays directly attributable to requirements for circumstances necessitating the prior approval/authorization of the Government Contracting Officer and production time lost awaiting authorization/ approval of OaA costs will be cause for adjusting the calculated OST.

A= Total SECREP "ZBE" orders
B= Total SECREP "ZBE" orders not delivered within the contractual TAT
A-B=C

C/A=Delivery Performance Rating (expressed as a percentage)

Order Accuracy:

This area will be measured by the number of valid, substantiated SDRs submitted within the reporting period, compared to the number of SECREPs processed during the reporting period. Areas to be reviewed are: Delivery of SECREPs to the correct requisitioner in the correct quantities, shipping damages, packaging/marking accuracy/ completeness of shipping documents. The minimum overall acceptable Order Accuracy rate is 99%.

> A= Total SECREP "ZBE" orders
> B= Total number of validated discrepancies
> A-B=C
> C/A=Order Accuracy Rating (expressed as a percentage)

Product Quality and Performance:

This is determined by tracking validated/honored PQDRs / warranty claims. The number of SECREPs processed within the reporting period, will be weighed against the total number of validated/honored PQDR/warranty claims (not attributable to design defects) during the same reporting period. The minimum acceptable standard for Product Quality and Performance will be 95%.

> A= Total SECREPs
> B= Total validated/honored PDQR/warranty claims
> A-B=C
> C/A=Quality rating (expressed as a percentage)